



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

ENVIRONMENT, FISH AND WILDLIFE

May 6, 2004

In reply refer to: KEWB-4

Dear Contractor/Sponsor:

I am writing to share information with you about some important and dynamic issues in the Division of Fish and Wildlife (F&W) at the Bonneville Power Administration (BPA). I will be sending you periodic updates to explain the context for our budgeting decisions. Along with ongoing support from your BPA project manager, it is my hope that this transparency will help us focus on seamless and efficient project implementation. Our goal is to provide excellent project management to promote on-the-ground results that benefit fish and wildlife.

The 2004 Budget

You may know that this year has held many challenges with respect to F&W business practices. One such instance was my recent decision to place a hold on issuing new contracts and on contract renewals. First, I apologize for any inconvenience that this decision may have caused you. Regrettably, this decision was necessary because of the pending completion of negotiations between BPA and the Northwest Planning and Conservation Council (Council) to determine the FY 2004 Fish and Wildlife Program budget. Had I not held up contracts until that question was resolved, many of you could have experienced the additional frustration of having to renegotiate contracts due to a potential reduction of \$15 million in the Program budget. I felt the potential disruption to all concerned would have been much worse if the Council's FY 2004 program budget were reduced.

As you may know, BPA and the Council agreed to an average of \$139 million over the 2003–2006 period. At the beginning of this fiscal year in October, BPA began contracting at the Council's recommended budget level of \$154 million. Although this was higher than the agreed-on average annual budget of \$139 million, based on past experience, we anticipated that the FY 2003 actuals would range from \$125 to \$130 million. Unfortunately, we were mistaken. By October 2003, we knew the FY 2003 accrued Program expenditures would reach \$140.5 million, which would leave us almost no opportunity to reschedule or to make within-year modifications for FY 2004. BPA and the Council, however, have agreed that this year's budget will remain at \$153 million. Therefore, as it stands now, the FY 2005 and 2006 budgets would have to be planned to \$131.25 million per year, to ensure that the average annual Fish and Wildlife Program budget for this rate period comes in at \$139 million.

What Happens Next?

The next few months will continue to be challenging to us all. First, we need to devise a plan for working within a \$131.25 million Program budget for FY 2005. Potentially any contract(s) you have with BPA that extend into FY 2005 may be affected. However, there are several

outstanding factors, such as the level of FY 2004 actual expenditures that will influence the final available budget for FY 2005. We will not know that available budget until we close the books for fiscal year 2004 in October. Based on last year's experience, it is prudent to begin planning for a \$131.25 million budget now.

Another activity impacting expense forecasting stems from a recent Presidential initiative requiring Federal agencies to close their books sooner after the end of the Fiscal Year. To facilitate this, BPA is conducting a simulated year-end closing on June 30. Because the Fish and Wildlife Program makes up a significant portion of BPA's costs, we have been asked to participate in the preliminary year-end closing by completing an accrual estimate on June 30, covering work to be completed through June. BPA will conduct another closing in September for the actual year-end closing. In May, you will receive a letter outlining the procedures and documentation required for the accrual exercise. Hopefully, because this process will be similar to the one last year, you are already familiar with this activity. Your BPA project manager will work closely with you to make this process as seamless as possible. I will send you another letter in August outlining the procedures and documentation for the fiscal year-end accrual.

As fish and wildlife costs have continued to escalate, the integrity of our numbers and the impacts to the Agency's bottom line have resulted in the need for F&W to better plan expenses, so that we do not adversely impact agency cash flow. During these financially challenging times, all expenses have received increased scrutiny from our auditors and rate payers. As a result, I want to let you know that we will begin forecasting Fish and Wildlife Program expenses as part of our internal processes. This effort will involve project-spending plans by month. Monthly spending plans will be a requirement, to be phased in beginning October 1, 2004, for all new and renewed contracts in FY 2005. By mentioning this now, I hope to give you time to think about how you could provide monthly spending plans that do not exceed your Council budget. BPA will create tools and templates as part of its process improvement effort to aid you in forecasting your expenses.

Those of us involved with the Fish and Wildlife Program are under intense pressure from ratepayers and other regional interests to demonstrate an accurate accounting and forecasting of Fish and Wildlife Program expenditures. We cannot be successful in this endeavor without all of you who accomplish the results on the ground. While I recognize the inconvenience and administrative burden some of these requirements may place on you, I hope you join my staff and me in seeking to demonstrate exceptional project implementation. I thank you in advance for your cooperation.

Sincerely,



Scott R. Hampton, Manager
EF&W Business Operations Support